



PSC NEWS

Missouri Public Service Commission

Contact: Kevin Kelly

Phone: (573) 751-9300

Governor Office Building, Suite 900

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VERIZON TO CHANGE VARIOUS TELEPHONE RATES UNDER PRICE CAP FILING

Jefferson City (November 9, 2001)---GTE Midwest, Inc. d/b/a Verizon Midwest (Verizon) will be changing a number of their telephone charges under a price cap filing approved by the Missouri Public Service Commission.

In 1996, the Missouri Legislature passed and the Governor signed a bill (Senate Bill 507) which granted pricing flexibility (called price cap regulation) to certain telephone companies such as Verizon, if those companies could demonstrate that an alternative local telephone company was providing basic local telephone service in its service territory.

Verizon demonstrated to the Missouri Public Service Commission in February of 1999 that competition existed within its service territory. As a result, Verizon was given price cap regulation joining Southwestern Bell Telephone Company and Sprint as telephone companies in Missouri under such regulation. **Under price cap regulation, these companies are no longer required to file a rate case with the Missouri Public Service Commission to change rates for various services.**

Under the state law, telephone rate changes must be filed with the Missouri Public Service Commission. The Commission then ensures that those changes comply with the law.

As part of the 1996 state law, Verizon's rates were frozen until January 1, 2000. After that date, prices could change either up or down annually according to two relatively conservative government price indexes, which are based on the price of telephone services throughout the country. This standard should cause rate levels to remain affordable.

The 1996 state law allows Verizon to raise local rates by no more than \$1.50 a month in a given year with a maximum overall increase of \$6.00 a month over a four-year period. However, those revenue increases are to be offset by decreases in access charges paid to Verizon by long-distance carriers for access to the Verizon telephone system to carry a long-distance call.

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As a result of Verizon's filing, basic monthly telephone rates will increase by between \$1.40 and \$1.43 a month for one-party residential customers and by between \$1.33 and \$1.38 a month for one-party business customers. The actual increase for customers will depend upon their rate group.

This filing will also increase non-basic telephone service rates (for services such as call forwarding and call waiting) by approximately 8 percent.

In addition, Verizon's long-distance revenues will increase by approximately 8 percent as the Company moves from 14 mileage sensitive bands which contained up to 84 different rates to a compressed rate structure which consists of a day rate (22 cents a minute) an evening rate (14 cents a minute) and a night rate (8 cents a minute). As a result, in-state long-distance rates for Verizon long-distance customers could go up or down by more than 8 percent depending on the customers calling pattern. Under the filing, the access charges paid by long-distance carriers to Verizon will be reduced.

These rate changes will take effect on December 28, 2001. Verizon serves approximately 436,100 access lines in Missouri.